



HOUSE
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Budget Digest

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BUDGET DIGEST: AUTOMATIC STABILIZERS

What are automatic stabilizers? Automatic stabilizers are “features built into the economy’s tax and transfer system that lower taxes and increase spending as the economy weakens.”¹ Examples include the federal income tax, unemployment compensation, and means-tested income support programs such as the Supplemental Nutrition Assistance Program (SNAP). Means-tested programs act as automatic stabilizers because, as income declines during a recession, their enrollment expands. The tax code also acts as an automatic stabilizer, since tax collections decline when income declines during a recession.

How much do automatic stabilizers cost? According to the Congressional Budget Office (CBO), automatic stabilizers in current law are projected to increase the deficit by \$400 billion between 2022 and 2029.² This figure could be smaller or larger depending on the performance of the economy. From 2008 to 2017, the cost of automatic stabilizers amounted to more than \$1.6 trillion.³ The effect of automatic stabilizers, plus stimulus legislation such as the American Recovery and Reinvestment Act of 2009, increased the deficit from \$161 billion before the most recent recession began in 2007, to more than \$1.4 trillion when the recession peaked in 2009.

Proposals to change automatic stabilizers. Some advocate creating new automatic stabilizers that would take effect during a future recession. Examples of potential new automatic stabilizers include: higher SNAP benefits, payroll tax cuts, higher federal Medicaid payment rates, and extended unemployment compensation benefits. Some of these forms of stimulus spending have been enacted during previous recessions. For example, unemployment compensation benefits have been expanded by Congress during every economic downturn over the last six decades.⁴ Creating new automatic stabilizers would have the effect of increasing mandatory spending, the portion of the budget which is already on autopilot and typically increases every year without any congressional action. Adding new automatic stabilizers would disadvantage future policymakers by taking away their flexibility and ability to respond to unfolding events.

On Wednesday, October 16th, the House Budget Committee will hold a [hearing](#) entitled “Strengthening Our Fiscal Toolkit: Policy Options to Improve Economic Resiliency.” The hearing provides an opportunity for Members to highlight the strength of the current recovery and propose policies to continue the nation’s strong economic growth.

¹ <https://www.crs.gov/Reports/R45780?source=search&guid=bc941f7466ee443885053ff2a81a9009&index=0>.

² <https://www.cbo.gov/system/files?file=2019-01/54918-Outlook-AppendixC.pdf>.

³ Ibid.

⁴ <https://www.crs.gov/Reports/RL34340?source=search&guid=cab69fe9b09b434bb59fd512878a5d6c&index=6>.